

## Meeting Summary

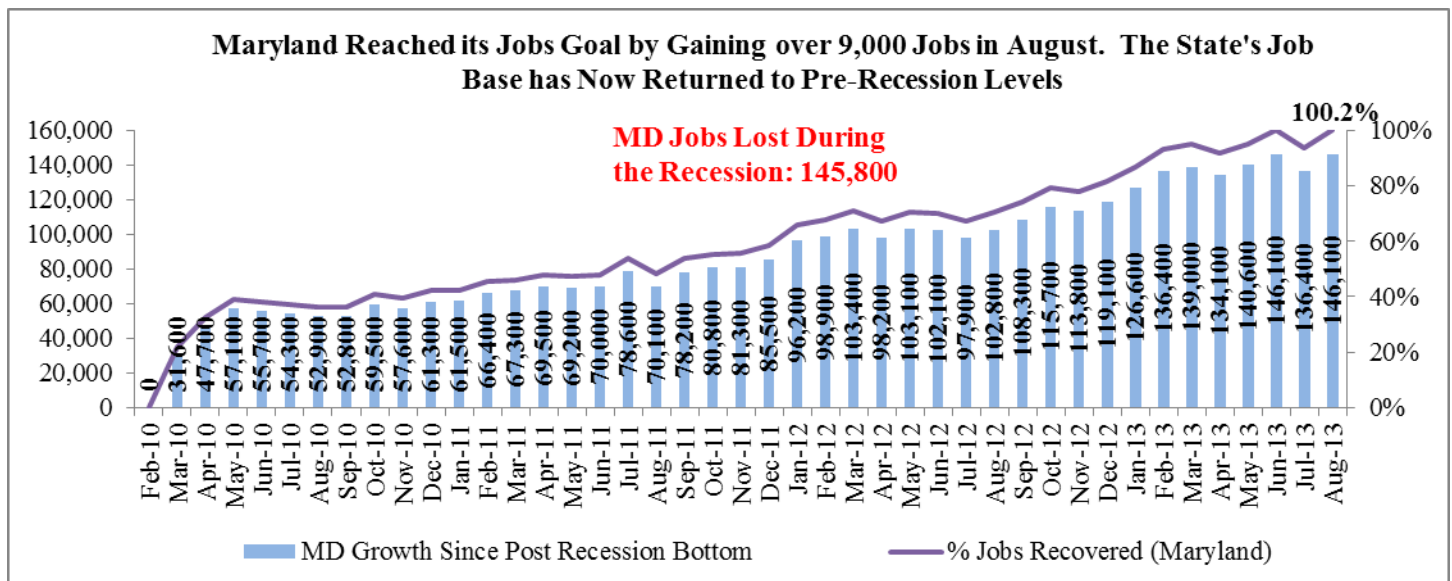
The following is a summary of the issues discussed at the Department of Business and Economic Development (DBED) Stat meeting on October 22, 2013. Analysis is provided by StateStat.

### The Governor's FY14 Jobs Goal

- **Maryland Gained Over 9,000 Jobs in August to Reach the Governor's Jobs Goal.** The Governor's current jobs goal is to recover 100% of the jobs lost during the Great Recession by the end of FY14. In order to achieve this goal, the State must recover the 145,800 jobs it lost after the jobs totals bottomed out in February 2010.

The most recent numbers from the Bureau of Labor Statistics (BLS) show that Maryland gained 9,700 jobs in August and has reached the Governor's Jobs goal by adding 146,100 jobs since February 2010. Maryland is one of only sixteen states to have reached its pre-recession jobs peak, and West Virginia is the only state in the region to have achieved this milestone. August marked the third highest monthly jobs gain in the past three years, and Maryland has now added jobs in nine out of the previous twelve months. The private sector has led the way in getting Maryland back to pre-recession job totals, as business have accounted for nine out of every ten new jobs during the recovery. Secretary Murray said many people have the misconception that Maryland employment is heavily dependent on the federal government. Recent jobs numbers show that less than six percent of Maryland's workforce is comprised of federal employees and 81 percent of Maryland workers are in the private sector.

Maryland's unemployment rate dropped by 0.1 percent in August to 7.0 percent, but that is partly explained by the significant drop in the workforce last month (-12,840 people). According to BLS, more than 28,000 people have dropped out of Maryland's workforce since May, and August was the first month since December 2009 in which the workforce was smaller than the previous year. The agency reported that the dropping workforce numbers are consistent with the national trend and suggested that it has primarily been caused by baby boomers retiring early due to weak job prospects. The September jobs report was originally scheduled to be released on October 22<sup>nd</sup>, but it will now be released on November 22<sup>nd</sup> as a result of delays cause by the government shutdown.





## Cybersecurity Investment Incentive Tax Credit Qualifications

### Qualified Investor

- Entity that invests at least \$25,000 in a Qualified Maryland Cybersecurity Company (QMCC).

### Qualified Maryland Cybersecurity Company (QMCC)

- Has its headquarters and base of operations in Maryland
- Organized for profit and engaged primarily in the development of innovative and proprietary cybersecurity technology
- Has fewer than 50 employees
- Has been in active business no longer than 5 years and once certified as a QMCC, a QMCC may remain eligible for a qualified investment for up to 2 years
- No publicly traded securities on any exchange
- Has been certified as a qualified cybersecurity company by DBED

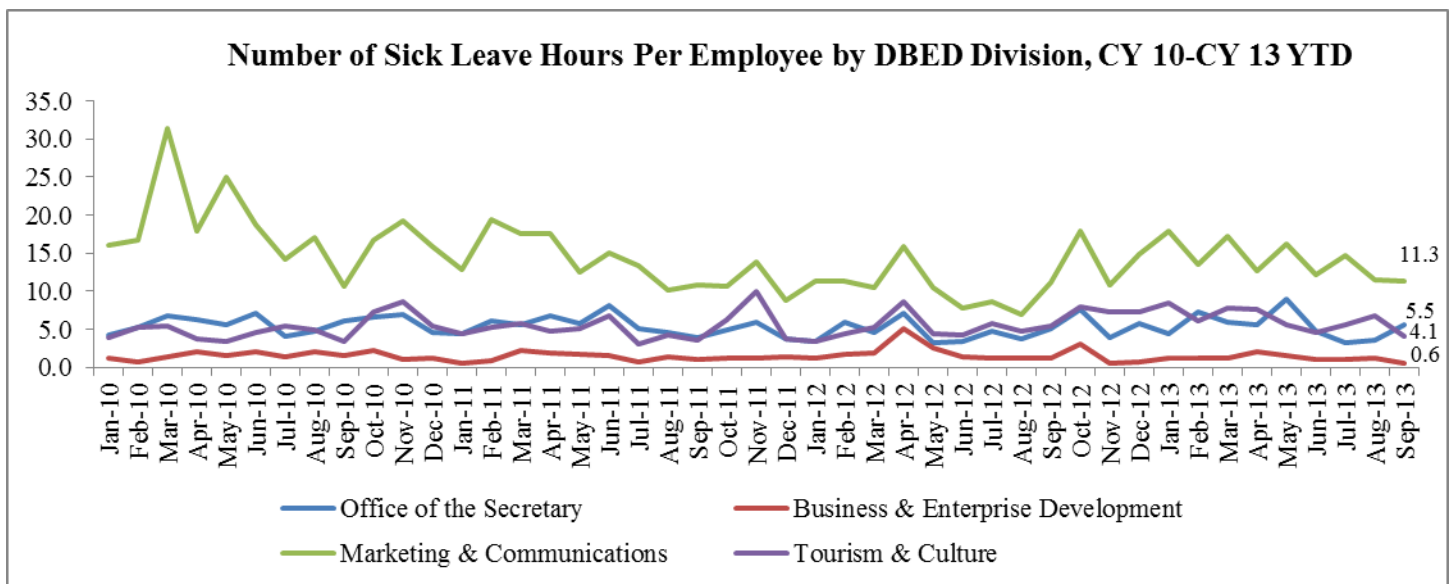
- **DBED's Initiatives to Help Maryland's Manufacturing Industry.** Earlier this month, Governor O'Malley [declared](#) October as "Maryland Manufacturing Month," kicking off a year-long focus on the State's manufacturing industry. DBED listed five strategies in its 18-Month Plan, listed below, to help manufacturing businesses succeed in Maryland. The first strategy involves overseeing and providing prospects for the newly expanded [Maryland Extension Partnership \(MEP\)](#) program. The MEP is a project led by the National Institute of Standards and Technology (NIST) that provides a network of more than 1,300 experts to work as consultants for manufacturing businesses. DBED previously reported that MEP's advisors will be providing strategic advice and a wealth of resources at a discounted price---1/3 of services will be paid by NIST, 1/3 by the State, and 1/3 by the company. Another strategy outlined in DBED's 18-Month Plan is to support the Maryland Advisory Commission on Manufacturing Competitiveness (MACMC), which is a [25 member commission](#) charged with advising DBED on "ways to encourage new and expanding manufacturing enterprises in Maryland." The MACMC was reinitiated in July 2012 after years of inactivity and is focused on the impact of demand shifts overseas to China, the rising cost of energy, and other manufacturing concerns. The agency indicated that the MACMC has already made several useful recommendations about potential manufacturing initiatives that DBED is currently working on. The agency also plans to conduct a professional survey for Maryland manufacturing companies before the end of the New Year to better understand manufacturing challenges and grow the industry. Businesses will be contacted over the phone and results are expected to be finalized in the first quarter of CY14. DBED reported that it is still developing a marketing plan for Maryland manufacturers to target potential hires, but progress will be made on that initiative in the coming months.

### **DBED's 18 Month Plan---Strategy to Improve Advanced Manufacturing**

- 1). Oversee, market, and provide prospects for the newly expanded Maryland Manufacturing Extension Partnership (MEP) program.
- 2). Target one or more segments of Maryland's manufacturing sectors for a more focused outreach effort. One likely focus may be defense-related manufacturing.
- 3). Design a marketing campaign for manufacturers in the State targeted to prospective hires, in conjunction with manufacturing organizations.
- 4). Support the Maryland Advisory Commission on Manufacturing Competitiveness and align their efforts with goals and initiatives for the manufacturing sector.
- 5). Conduct a professional survey of Maryland's manufacturers, and use the findings to drive manufacturing initiatives.

- **Update on DBED's New Sick Leave Policy.** In June, the StateStat panel questioned DBED on the high amount of sick leave being used by its Marketing and Communications Division. For most of the past three years, the Marketing division has averaged more than twice as much sick leave per employee than any other

division. For example, last month the 22 employees in DBED's Marketing division used 249 hours of sick leave (equivalent to more than 30 days of work), while the 68 employees of the Business and Enterprise Division only used 43 hours (five days of work). Following the June Stat meeting, DBED reported that the apparent sick leave discrepancy among its divisions caused the agency to change its internal sick leave policy. The agency stated that it would start "actively monitoring the sick-leave usage throughout every unit within the agency." Previously, elevated usage of sick leave was only being reported to management when a supervisor believed it was causing performance issues for the individual or the team. The new policy states that when an individual records five instances of undocumented sick leave, the Office of Human Resources (OHR) will inform that individual's supervisor and instruct the employee on the proper use of sick leave. Any additional usage of undocumented sick leave incidents will require documentation from a medical professional. DBED reported that employees will be informed of the new policy in a memo that is scheduled to be sent out at the end of October or early November. Secretary Murray indicated that the agency has a relatively small staff as it is, so it is critical for the agency to identify individuals who may be abusing DBED's leave policies.



Average Number of Employees and Sick Leave Hours Per Month by DBED Division, CY 2011- CY2013 YTD									
		CY 2011			CY 2012			CY 2013 YTD	
	Avg # of EMPL	Avg # of SLHs	Avg # of SLHs/EMPL	Avg # of EMPL	Avg # of SLHs	Avg # of SLHs/EMPL	Avg # of EMPL	Avg # of SLHs	Avg # of SLHs/EMPL
Office of the Secretary	73.7	392.8	5.4	74.3	362.1	4.9	79	429	5.4
Business & Enterprise Development	72.3	92.6	1.3	66.7	118.9	1.8	66	82	1.2
Tourism & Culture	41.9	220.2	5.3	41.2	235.6	5.7	37	235	6.4
Marketing & Communications	25.7	347.5	13.5	29.2	330.4	11.4	23	328	14.2
<b>Total</b>	<b>214</b>	<b>1,053</b>	<b>4.9</b>	<b>211</b>	<b>1,047</b>	<b>5</b>	<b>205</b>	<b>1,230</b>	<b>6</b>

- Update on the Development of an Innovation Portal to Connect Entrepreneurs and Investors.** The Joint Chairman's Report for FY14 stipulates that \$150,000 of DBED's operating budget must be used to develop an "Innovation Portal" to be used "as a means of connecting investors and entrepreneurs in the State." The Report states that an innovation portal would be a low-cost option to encourage growth in emerging companies that would serve as a one-stop market place where entrepreneurs can seek out potential

investors. DBED reported that the Maryland Technology Development Corporation (TEDCO) is taking the lead on this project, but the two agencies have been working cooperatively in recent months to develop the portal. The functionality of the portal will continuously grow, but DBED believes it will initially be designed to connect small and large companies in the same industry to discuss investment and partnership opportunities. The agency expects the first phase of the portal to be introduced to the public by January or February next year.

### **Enterprise Zone Tax Credits**

- Capital Investments Made in Enterprise Zones are Trending Down.** On July 24<sup>th</sup>, Governor O'Malley announced that DBED approved the designation and renewal of six Enterprise Zones across Maryland. Enterprise zone designations primarily enable jurisdictions to provide property tax credits to help create and retain jobs for businesses within the zones. Eligible businesses may claim a ten-year credit against local real property taxes for real property improvements. The State pays one-half of the reimbursement back to local jurisdictions for the property taxes abated as a result of the tax credits. In previous StateStat meetings, the panel has asked DBED about a [Pew Report](#) published last year that determined Maryland is "trailing behind" in terms of properly evaluating the success of its tax credits. This report specifically highlighted a lack of transparency and oversight with Maryland's enterprise zones, saying "Maryland does not disclose information on the recipients of enterprise zone tax credits, nor has the State published a rigorous evaluation of this program." DBED responded to the criticism of the Pew Report by stating that it publishes a yearly report on the progress of the tax credit on its website for the public to see, and that the program has been very successful this year in driving development to different locations around the State.

The most recent [annual report](#) on enterprise zones shows that in FY14, 802 businesses will receive property tax credits totaling \$27.4 million as a result of property investments of more than \$2.3 billion. The cost to the State for these investments will be \$13.7 million. As highlighted by the charts on the next page, the number of businesses receiving property tax credits has decreased significantly in FY13 and FY14. Since FY12, there has been a 21.9 percent decrease in the number of participating businesses and a 24.6 percent decline in capital investments in enterprise zones. DBED reported that 73 percent of capital investment is for new construction, 19 percent is for rehabilitation, and eight percent is for new equipment. The agency believes that the number of companies and value of tax credit investments has been decreasing in recent years because businesses are being phased out of the program following the ten year cap. DBED indicated that it will provide a churn rate to StateStat before the next meeting showing the number of businesses that leave the program and the number of new companies to show the sustained level of interest in enterprise zone property tax credits.

<b>Table 2: Capital Investment Made in Enterprise Zones</b>							
<b>County</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>Percent Change FY 2013-2014</b>	<b>Percent Change FY 2010-2014</b>
Allegany	43,280,775	40,349,670	47,308,475	45,662,346	46,161,007	1.1%	6.65%
Baltimore City	788,230,308	897,361,621	1,197,722,040	1,365,790,091	1,076,961,613	-21.1%	36.63%
Baltimore County	107,676,817	187,247,645	274,769,223	188,153,900	180,868,928	-3.9%	67.97%
Calvert	12,553,543	11,552,045	9,608,451	11,238,930	11,329,000	0.8%	-9.75%
Cecil	146,318,141	230,237,945	182,317,823	196,253,652	132,711,889	-32.4%	-9.30%
Dorchester	13,354,446	11,015,387	8,784,415	8,101,937	3,495,935	-56.9%	-73.82%
Garrett	17,914,080	21,374,883	20,425,837	21,137,891	21,005,142	-0.6%	17.25%
Harford	272,771,225	378,844,020	347,416,666	320,557,624	289,808,304	-9.6%	6.25%
Montgomery	283,512,125	297,180,514	620,962,725	416,177,863	245,022,046	-41.1%	-13.58%
Prince George's	122,565,070	254,280,803	297,733,487	276,722,809	224,238,265	-19.0%	82.95%
St. Mary's	14,345,061	9,908,705	15,165,031	15,557,896	23,889,032	53.5%	66.53%
Somerset	1,132,078	1,162,944	1,166,810	1,424,839	1,424,839	0.0%	25.86%
Washington	102,207,737	107,180,947	100,000,713	94,339,696	94,339,696	0.0%	-7.70%
Wicomico	17,940,075	24,040,620	25,105,037	26,087,915	24,825,606	-4.8%	38.38%
Worcester	2,025,857	2,987,866	2,982,524	1,030,557	603,924	-41.4%	-70.19%
<b>Maryland</b>	<b>1,945,827,338</b>	<b>2,474,725,615</b>	<b>3,151,469,257</b>	<b>2,988,237,946</b>	<b>2,376,685,226</b>	<b>-20.5%</b>	<b>22.14%</b>

Sources: SDAT and DBED

## **DBED Job Creation and Retention**

- DBED Reported that it Helped Create or Retain 1,107 Jobs in September.** In September, DBED recorded that it helped to create 812 jobs and retain 205 jobs throughout the State. September's high job totals finished off a very successful First Quarter in FY14, as the agency has positively impacted over 3,000 jobs since July. DBED has not recorded more than 1,100 jobs through Q1 in the previous three years, so the agency is well ahead of its yearly average. DBED expects the strong jobs numbers so far this year to continue, because there are several large job deals currently in the pipeline.

The Finance Department was credited as the "Lead Office" in helping create 1,356 new jobs in FY13, representing 12.5 percent of the 10,856 jobs DBED helped create or retain last year. The percent of new jobs resulting out of the Finance Department has decreased over 50 percent since FY11, but the percent of jobs it helped retain is the same as it was two years ago. The Office of Strategic Industries and Innovation (OSII), created in 2012, was credited as the lead office in over 26 percent of all the jobs created and retained last year. The OSII office is designed to support the acceleration and development of key industry-seekers, like cybersecurity, green energy, federal activities, and information technology. One of the goals in DBED's 18-Month Plan is to "develop new performance measures which are more meaningful to our objectives and strategies." The agency stated that looking at overall job numbers by department is not a very useful way to measure performance, because the departments frequently work together on projects and it would be unfair to award full credit to one particular department. In addition, overall jobs numbers for a given month or year can be largely determined by the size of the businesses that are interested in relocating or seeking DBED's assistance. The agency explained that one successful deal that helps retain over 1,000 jobs for a large company may have required less quality work than efforts to retain 400 jobs at five different companies. The agency reported that it has been working to refine performance measures this year, and DBED will share them with StateStat before the November meeting. The new measures will more accurately indicate the success of DBED's divisions and individual business representatives.

